Testimony by Bill Brim, Lewis Taylor Farms, Tifton, GA
presented to the
Sub Committee on General Farm Commodities and Risk Management
U.S. House of Representatives Agriculture Committee
Thursday, July 10, 2003

Mr. Chairman, members of the sub-committee, fellow panel members and other distinguished guests, my name is Bill Brim, President of Lewis Taylor Farms in Tifton, GA. Our farm is a 750-A diversified vegetable operation growing and packing peppers, tomatoes, eggplant, cucumbers, squash, cabbage, greens and cantaloupes. We also operate over 350,000 square feet of greenhouse space growing more than 85 million vegetable transplants and over 15 million pine seedlings each year.

I serve as Vice President of the Georgia Fruit and Vegetable Growers Association. I am here today not only representing my farm and association but also Georgia's fruit and vegetable industry that had a farm gate value in 2002 of over $750 million dollars.

Thank you for the opportunity to appear before this subcommittee to discuss the federal crop insurance products designed for our specialty crop growers. I bring these comments to you in the spirit of cooperation and improvement. FCIC can be a very important farm management tool for specialty crop growers if the products are developed in which growers can utilize them and understand their intended purpose. Georgia growers look forward to working with the Risk Management Agency to continue to improve the methods by which growers manage their crop risks. My comments specifically address issues and concerns with the crop insurance program for pecans, blueberries, peaches, vegetables and RMA educational programs.

Pecans

In 1998, three counties in Georgia (Mitchell, Lee and Dougherty) were approved for a pilot pecan crop insurance program. The pilot was scheduled to go to permanent status as a nationwide program three years later in 2000. It is now 2003, five years later, and the pilot is still not permanent.

For crop year 2003 the three county pilot programs was expanded to include 79 additional counties in Georgia. At the September 19, 2002 RMA Board of Directors meeting the Board voted to convert the pecan pilot program to a permanent status for the 2004 crop year. The proper paper work and reports were submitted to Kansas City. However, our pecan growers are now told this cannot be accomplished until the 2005 crop year due to the regulatory process of policy conversion required by the Office of General Counsel. Georgia growers in 'non-covered' counties and growers throughout the U.S. desperately need the availability of this crop insurance program. Southeastern pecan growers solicit this committee's support and encouragement for the FCIC to put this pilot program on a fast track and move it to permanent status as soon as possible.

Attached to this testimony is a letter from Hilton Segler, Crop Insurance Committee Chair for the Georgia Pecan Growers Association outlining six changes southeastern growers have requested of RMA and FCIC which would improve the current coverage levels and better meet grower/producer needs. In March of 2003 twelve items of concern or improvement to the pecan crop insurance pilot program were submitted to the Kansas City office for review. Several of those suggestions were

approved and included in the 2003 program. We hope the additional suggestions and improvements outlined in Mr. Segler's letter will be approved and included in the 2004 program.
One of the most critical items included in the letter is an industry concern that crosses all crop boundaries and is not specific to any one commodity. This is the issue of multiple 'units' (fields or orchards) being covered under one Farm Serial Number. Many growers have not received payments on crop losses because the 'field' which suffered the loss was one of several fields in the 'farm' and all the other fields produced sufficiently to generate an average yield/income for the farm above the required 'crop lost' level.

It is Georgia growers contention if production records are maintained for each 'unit' (field or orchard) and the crop is insured by the 'unit', then claim payments should be made whether other units (field or orchard) on the farm produced higher yields/income or not that year.

Growers compare their crop insurance to homeowners insurance…. if three houses on a farm are insured and one burns, the insurance company pays for the burned house. The same should be true for an insured field. If that field is insured and has a loss, then crop insurance should cover the loss, regardless of the other field's production or yield.

In order to provide broader product coverage, consideration should be given to allow growers the option for unit (field or orchard) division within a Farm Serial Number, or by noncontiguous tracts. A similar option is provided to growers in the walnut and apple crop insurance programs.

Fruit Crops

At this time the only fruit crops in Georgia with crop insurance protection are apples, blueberries and peaches. As with any new program each of these pilots required some time to resolve all of the details and uniqueness of the different commodities.

Blueberries

Initially the blueberry insurance program experienced pricing and yield projection problems with Georgia's high bush variety versus the traditional rabbit eye variety. It appears most of those issues have been resolved; however, revenue estimates continue to be of some contention. Several members of our association recently provided yield and pricing information to the Valdosta regional office, which we hope, will clarify some of the pricing and yield questions.

Our primary concern with the blueberry program is the lack of availability of the crop insurance product to all Georgia and southeastern growers. The pilot program is available in only three (3) counties whereas we have commercial production of blueberries in twelve (12) counties. In 2002, Georgia had over 6000 acres of commercial blueberry production; however, less than 28% of Georgia's commercial acres have crop insurance available to the growers. The 2003 RMA crop insurance records show 1684 Georgia acres in the program, or 72% of the Georgia acreage that was eligible for crop insurance protection utilized the program. This represents a very high grower participation in the program.

For Georgia's blueberry growers, the program needs to be expanded to cover all twelve counties with commercial production. Georgia now ranks fifth in the nation in blueberry production with a five-year average in excess of 17 million pounds of blueberries grown annually.

Peaches

Product delivery, availability and grower knowledge of the product appear to be satisfactory for Georgia's peach growers. We estimate over 80% of the peach acreage in Georgia is covered under the federal crop insurance program.

Georgia and SE peach growers primary concerns have been in the area of establishing price elections. In some southeastern states, the 2002 'price election' decreased while the current fresh market price received by growers increased over 2001. The FCIC price decrease occurred in Georgia, South Carolina and Alabama. It appears this decrease is due to the 'averaging' of historical price data to create the 'yield/price' standard at which losses are paid. Both South Carolina and Alabama have suffered multi-year losses in the past 5 -10 years. This has caused some grower's insurance guarantee to be significantly lower than the market price. South Carolina and Georgia growers currently pack peaches in half-bushel cartons while the price election is in bushels based on NASS data. FOB prices are issued daily by the Thomasville market on a half-bushel basis for the Southeast and reflect the true price received by growers at the pack house door. The Thomasville market price is also used in adjusting quality losses on peaches in the event of a loss. Prices are also available through the Thomasville market avenue for prior years, which would establish a more accurate average price received by growers. The prices set by NASS is based on random surveys rather than true market conditions. The southeastern peach growers encourage FCIC, RMA and this committee to evaluate the use of the Thomasville market pricing mechanism instead of NASS. It appears to be a more accurate pricing method.

The issue of allowing for optional 'orchard' (unit) division by noncontiguous tracts is also a major concern among peach growers. Many times a peach farm may have 3-4 orchards separately over a two-mile area. Other commodity programs, such as walnuts and apples, allow for this division if production and income records are maintained for each unit. Allowing for this option in the peach program would improve the quality of the FCIC product and help it to better meet the needs of the individual growers based on their specific situation.

Vegetables

Crop insurance coverage for most vegetable crops in Georgia is available only on a limited basis. Currently over 85% of the Vidalia onion acreage is covered by crop insurance. At this time crop insurance for cabbage is available on a pilot basis only in certain counties. Insurance for tomatoes and sweet corn is available as a permanent program in a few counties but may be insured by written agreement in other non-program counties. Peppers are insured only by written agreement in Georgia.

We appreciate Congress and USDA's efforts to increase the number of vegetable crops for which coverage is offered. The volatility of the price returns due to weather considerations and high cost of production makes the need for developing a safety net for vegetable growers even more critical. The fruit and vegetable industry recognizes development of new products require time and experience to refine. Listed below are our observations concerning the current status of crop insurance product availability and delivery for vegetables in Georgia.

- Many federal crop insurance agents do not inform growers of the possibility of obtaining insurance coverage by written agreement for vegetable crops. It has been my experience that agents generally are not well informed on many issues concerning the insurance program for vegetable crops and consequently producers are not provided the coverage they need. In preparation for this testimony I found out my farm was eligible for pepper crop insurance under a written agreement. I am one of the largest pepper growers in our county but no agent has ever informed me that this coverage was available.

- With some crops the yield/production cost records are not current. Many Georgia growers now use plastic mulch that generate a much higher yield than the traditional bare ground production methods. When claims are made, some vegetable growers have experienced inadequate payments for the high cost of input and anticipated yield. Basing claim payments on inaccurate yield models and selling prices, many times does not reimburse the grower for even his cost of input (materials and labor).

- When new pilot programs are offered in an area, growers should not be eligible for the program without two to three years of production records establishing their cost and yield history for the crop. There have been pilot programs (i.e. watermelons in 1999 and others) in which 'dishonest' growers planted a commodity because crop insurance was available with little or no intention of harvesting the crop. Due to the anticipated over-production of the commodity, prices plummeted and the legitimate growers lost due to low market prices.

  This was mentioned during a recent 'listening session' with RMA Administrator Davidson in Valdosta, GA. We were informed the current guidelines require a grower to have three years of production records before they can apply for crop insurance for the commodity. We hope this policy will continue and be vigorously enforced.

- As outlined above in the pecan and fruit sections, the issue of the 'unit' (field) division by Farm Serial Number is also a concern to Georgia's vegetable industry. If production records are maintained for the 'field' and the crop is insured by the 'field', claim payments should be made whether other fields under the same Farm Serial Number produced higher yields/income to cover total farm revenue or not.

- When pilot programs are introduced in selected counties in a particular commodity producing area, product availability can significantly affect market prices and production practices.

  For example the cabbage pilot is offered in three or four counties in Georgia. One of those counties, Colquitt, is a neighboring county to my farm in Tift County. However, the program is not available to our farm. When my neighbors go to the bank to borrow money for their production, they have a definite competitive advantage from an economic risk management standpoint. The bank is much more inclined to offer a production loan, possibly at a better interest rate, to someone who has crop insurance available to them.

We realize a pilot program is just that, an opportunity to see if a program will work and if enough interest is present to generate permanent program status. However, the pilot very often skews market conditions and production competitiveness. In Georgia many times the bulk of a commodity's production is going to be in a 5-15 county area (i.e. sweet corn is in a 6-7 county area in southwest Georgia; cabbage is in a 10-12 county area in south central Georgia, etc.) Possibly allowing all growers in a commodity region to make application when a pilot crop insurance program is offered should be considered. If the demand for the pilot is too large for the funds that are available, then only allowing a certain percentage of the applying grower's crop acreage to be insured could be an alternative.

- With regard to product availability vegetable growers and shippers quite possibly present the most challenging opportunity for FCIC with the diversity of commodities, production and yield/price models. Based on conversations and interviews, we believe the Adjusted Gross Revenue (AGR) program, now offered as a pilot program in Florida would be utilized by many of our specialty crop growers in Georgia. We understand the participation in the pilot program has been limited. The Georgia Fruit and Vegetable Growers Association would certainly be happy to assist RMA with educating growers on the program and the advantages of AGR over the traditional FCIC programs if the pilot was also offered in Georgia at a later date.

  With the diversity of the vegetable crops in Georgia, having the ability to insure the complete farm revenue should have some interest in Georgia.

RMA Educational Program Activities

For the past two years (2002-2003), the Georgia Fruit and Vegetable Growers Association has been fortunate to participate in 'Partnership Agreements' with RMA to provide educational programs to specialty crop growers. During those two years, over 2500 growers have received hundreds of hours of training to learn to better manage the production, pest, food safety, personnel and marketing risks they face daily in their farm operations. This has been an excellent program and extremely beneficial to Georgia and southeastern growers. We encourage the continuation of educational 'partnerships' and offer the following comments to improve this program,

- The 2002 and the 2003 RMA 'Partnership' regulations allowed for any commodity association, educational institution or other organization to submit a funding proposal for educational programming. In 2003 six different Georgia commodity/ educational organizations received risk management education program funds totaling over $370,000. These organizations ranged in interest from organic farmers to nursery/shrub growers to fruit and vegetable producers.

  The FY2004 regulations were published in the Federal Register on June 13, 2003. In order to simplify RMA supervision of 'partnership' agreements the new regulations allow for only **ONE** partner per state and the 'allocation formula' provides only $89,000 to a Georgia organization for educational programming funds. While we understand the need to streamline the reporting and accountability, it will be very difficult for one organization to represent and oversee commodity programs as diverse as flowers and shrubs to fruit and vegetables. Our fruit and vegetable association does have a good working relationship with other 'RMA partners' in Georgia and we are developing a joint master application from the Georgia Fruit and Vegetable Growers Association for all the organizations in Georgia. In the future we hope the 'one partner' per state will be reconsidered.

- The Federal register regulations did not appear until June 13 and the RFP deadline is July 28 with the project beginning date on October 1. We would ask for earlier publication of the RFP guidelines and earlier award announcements. It is very difficult to plan for FY04 projects when the RFP guidelines, proposal deadline and award decisions/announcements are not made until the fourth quarter of '03.

I very much appreciate the opportunity to provide this testimony to the committee. I hope the committee and the Risk Management Agency will accept these comments in the spirit in which they are offered as suggestions for improvement to a very important and critical program for our fruit and vegetable growers. I look forward to continuing our work with RMA in the future for the betterment of agriculture.

Submitted by:

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David Hatch
Associate Administrator
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Dear Mr. Hatch,

Thank you for taking time to address issues discussed per our telephone conversation on 6/25/03. It is my understanding that the Board of Directors approved conversion of the pecan pilot program to permanent status for the 2004 crop year on September 19, 2002. As of this date, I am informed that this will not be possible due to the regulatory process of policy conversion to a permanent program in view of this; I would hope we could at least implement program changes for the interim.

The Valdosta Regional Office submitted several recommendations to Kansas City in March of this year. Some have been implemented such as the insurability of all varieties, not just improved varieties, for the 2004 crop year. Other recommendations I respectfully request for the 2004 crop year are:

Expansion of the pilot pecan program in Alabama, Florida and South Carolina for the 2004 crop year. Valdosta is now in the process of forwarding production data, where available, to Kansas City. Due to limited numbers of growers in these areas, disclosure becomes a sensitive issue.

Add a provision for optional unit division by Farm Serial Number or by noncontiguous tracts, as do walnuts and apples. Currently all acreage in a county is one unit.

Revision/correction of program dates. Sales closing (11/20) is entirely too early, the billing date is September 15, before pecans are even harvested, cancellation and termination dates are August 31, and should coincide closer with sales closing.

Elimination of the 30% reduction in insurance guarantee if an orchard is sequentially thinned. Pecan experts from Auburn University, Byron, Georgia and Tifton, Georgia have provided documentation to Kansas City that discredited this theory. No other tree policy to my knowledge (almonds/walnuts) has this ludicrous approach.

Added land provisions for row crops are initiated at a 50% increase in acreage while pecans acreage begins at 12.5%. Pecan growers feel a threshold of a 40% or 200 acres would be equitable.

The Pecan Revenue Pilot Program does not allow for Direct Marketing, this should be corrected so that Direct Marketing will be allowed provided that the guidelines in Section 10(2) are met.

Thank you again for you prompt attention to this matter. Implementation of these changes would greatly improve the pecan program and expedite the regulatory process for the 2005 crop year.

Sincerely,

Hilton R. Segler
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Cc: Roy Goodson, President Georgia Pecan Growers Association
Brent Stewart, Risk Management Specialist